

Message Text

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ACTION EUR-12

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E.O. 11652: N/A

TAGS: EINV, BBAK, IT

SUBJECT: TOORINGTON COMAPNY PROBLEM

REF.: STATE 312955

1. SUMMARY: EMBASSY HAS DISCUSSED SITUATION SPELLED OUT IN REFTEL WITH DR. MASSEROLI OF GEPI AND MR. CAMILLI OF BAKER AND MCKENZIE (TORRINGTON ATTORNEY), BOTH OF WHOM ACTED FOR THEIR RESPECTIVE PRINCIPALS IN GEPI-TORRINGTON "FEELERS" RE DISPOSTION OF TORRINGTON PLANT. THE TWO NEGOTIATORS PRESENTED DIFFERING VERSIONS OF OFFERS AND COUNTER-OFFERS, INDICATING DIVERGENCE OF OBJECTIVES BETWEEN PARTIES WHICH HAS CAUSED NEGOTIATIONS TO COME TO STANDSTILL. AT ISSUE IS KNITTING NEEDLE PRODUCTION MACHINERY WHICH GEPI WANTS TO RETAIN IN ITALY, BUT TORRINGTON IS DETERMINED TO REMOVE FOR PRODUCTION ELSEWHERE. THE MINISTRY OF INDUSTRY, UNDER WHOSE AUSPICES GEPI OPERATIONS AS SALVAGE AGENCY FOR COMPANIES IN TROUBLE, SUPPORTS GEPI POSITION AND PROFESSES LITTLE INTEREST IN PROCEEDING WITH DISCUSSIONS ON BASIS OTHER THAN RETAINING NEEDLE MACHINERY IN ITALY. GEPI ALSO NEGOTIATING WITH THIRD PARTY, IGLA OF CZECHOSLVAKIA, FOR PURCHASE OF IGLA'S COMPETITIVE NEEDLE MANUFACTURING MACHINERY. IF SUCCESSFUL, LATTER NEGOTIATIONS COULD

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EVENTUALLY RESOLVE TORRINGTON PROBLEM BUT, IN ANY CASE, ITALIAN ACTIONS ARE GUIDED BY THEIR DETERMINATION TO RETAIN NEEDLE PRODUCTION CAPACITY IN ITALY. END SUMMARY.

2. ACCORDING TO MASSEROLI, GEPI CREATED NEW COMAPNY SETTE GERI TO TAKE OVER PAYMENT UNDER CASSA INTEGRAZIONE ON EMPLOYEES OF TORRINGTON'S CLOSE PLANT, WHICH IS TECHNIQUE USED BY GOI TO

FINANCE DISBURSEMENTS TO ROKERS UNDER THESE CIRCUMSTANCES. ACTING FOR SETTER GERI, MASSEROLI SAID HE MADE TWO INQUIRIES OF TORRINGTON: FIRST, HE EXPRESSED INTEREST IN PURCHASE OF LAND AND MACHINERY, INCLUDING NEEDLE MACHINERY, BUT WHEN TORRINGTON REFUSED, HE THEN OFFERED TO NEGOTIATE AN ARRANGEMENT WHEREBY SETTE GERI WOULD PURCHASE TORRINGTON MACHINERY, BUT MARKETING OF ALL PRODUCTION WOULD BE DONE EXCLUSIVELY BY TORRINGTON THROUGH ITS EXISTING SALES ORGANIZATION. UNDER SUCH ARRANGEMENT, MASSEROLI INDICATED TORRINGTON COULD DETERMINE QUANTITIES AND TYPES OF NEEDLES TO BE PRODUCED, AS WELL AS PRICES TO BE CHARGED. IF PROCEEDS OF SALES WOULD NOT COVER COSTS, HE CLAIMED SETTE GERI HAD EXPRESSED WILLINGNESS TO ABSORB LOSSES. OFFER WAS TURNED DOWN WHEREUPON HE TURNED TO CZECH FIRM IGLA, WHICH MANUFACTURES SIMILAR SPECIALIZED MACHINERY. SHOULD LATTER NEGOTIATION BE SUCCESSFUL GEPI WOULD BE INTERESTED IN TORRINGTON PLANT AND EQUIPMENT, WITHOUT NEEDLE MACHINERY AT ISSUE. HOWEVER, MASSEROLI BELIEVES NEGOTIATIONS WITH IGLA WILL DRAG OUT INTO 1978, AS A MINIMUM. NOTE: MASSEROLI SAID THERE ARE ONLY THREE PRODUCERS OF THIS SPECIALIZED NEEDLE MACHINERY FOR THE WORLD MARKET I.E., TORRINGTON, GROSS AND BECKER OF GERMANY, AND IGLA OF CZECHOSLOVAKIA HENCE THE FIERCE COMPETITION FOR THIS MACHINERY.

3. WHEN SOUNDED OUT ON HIS VERSION OF FOREGOING NEGOTIATIONS, TORRINGTON REPRESENTATIVE DECLARED THAT (A) TORRINGTON IS NOT ABOUT TO SELL ITS SPECIALIZED NEEDLE MACHINERY TO GEPI OR ANY OTHER COMPANY, (B) THE PRODUCTION-MARKETING ARRANGEMENTS SUGGESTED BY DR. MASSEROLI WAS NOT ADVACED BY GEPI WITH ANY DEGREE OF SERIOUSNESS, (C) THERE SEEMS TO BE A CHANGING ATTITUDE ON THE PART OF GEPI, I.E., A LACK OF INTERST IN FURTHER NEGOTIATIONS
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ON THE CURRENT BASIS.

4. IN SUM, THE TWO PARTIES APPEAR TO BE AT LOGGERHEADS BECAUSE TORRINGTON DOES NOT WANT ANYONE ELSE TO GET INTO PRODUCTION WITH ITS MACHINERY, STATING THAT IT CAN SUPPLY THE EUROPEAN MARKET FROM U.S. PRODUCTION. ON OTHER HAND, ITALIANS WANT TO KEEP THIS HIGHLY VALUABLE NEEDLE PRODUCTION MACHINERY, NOT ONLY FOR JOBS BUT, AS THEY POINT OUT, BECAUSE ITALY IS A LEADING WORLD PRODUCED BY THE TORRINGTON MACHINERY IN QUESTION. THE EXISTING "CONNECTION" IS THEREFORE OF GREAT VALUE TO THE ITALIANS. THUS, GEPI CLAIMS IT IS WILLING TO NEGOTIATE WITH TORRINGTON IF NEEDLE MACHINERY STAYS IN ITALY; IN MEANTIME, GEPI IS PROBABLY-STALLING ON FURTHER NEGOTIATIONS ON ANY OTHER BASIS PENDING ITS ATTEMPTS TO OBTAIN SIMILAR MACHINERY FROM CZECHOSLOVAKIA.

5. OUR APPROACHES TO MINISTRY OF INDUSTRY (VICE CHIEF OF CABINET) HAVE THUS FAR NOT YIELDED MUCH. WHILE WE ARE STILL AWAITING MORE DEFINITIVE RESPONSE, OUR CONTACT MADE IT CLEAR THAT UNLESS TORRINGTON WERE WILLING TO PART WITH ITS MACHINERY, MINISTRY FELT

THERE WAS LITTLE BASIS FOR SERIOUS DISCUSSION. BEAUDRY

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